

IRS TAX TIP: ATIP- 2003- 59

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## FOREIGN INCOME

With more and more United States citizens earning money from foreign sources, the IRS reminds people that they must report all such income on their tax return, unless it is exempt under federal law. U.S. citizens are taxed on their worldwide income.

This applies whether a person lives inside or outside the United States. The foreign income rule also applies regardless of whether or not the person receives a Form W-2 or a Form 1099.

Foreign source income includes earned income, such as wages and tips, and unearned income, such as interest, dividends, capital gains, pensions, rents and royalties.

An important point to remember is that citizens living outside the U.S. may be able to exclude all or part of their foreign source income if they meet certain requirements.

For more information, check out IRS Publication 54, "Tax Guide for U.S. Citizens and Resident Aliens Abroad." It's available on the IRS Web site at *IRS.gov* or by calling toll free 1-800-TAX-FORM (1-800-829-3676).

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